

**ALFRED UNIVERSITY**

**Financial Statements as of  
June 30, 2024 and 2023  
Together with  
Independent Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT**

October 29, 2024

To the Board of Trustees of  
Alfred University:

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Alfred University (a New York not-for-profit corporation) (the University), which comprise the balance sheets as of June 30, 2024 and 2023, and the related statements of activities and change in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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## INDEPENDENT AUDITOR'S REPORT

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### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2024, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

# ALFRED UNIVERSITY

## BALANCE SHEETS

JUNE 30, 2024 AND 2023

|  | <u>2024</u>           | <u>2023</u>           |
|--|-----------------------|-----------------------|
| <b>ASSETS</b>  |                       |                       |
| Cash and cash equivalents  | \$ 316,104            | \$ 3,368,668          |
| Limited use assets   | 18,916,648            | -                     |
| Student accounts receivable, net of allowance for credit losses of<br>\$582,000 and \$617,000 at 2024 and 2023, respectively             | 38,429,245            | 2,221,348             |
| Inventories and other assets   | 608,701               | 865,272               |
| Contributions receivable, net  | 6,883,042             | 4,537,747             |
| Notes and other accounts receivable, net of allowance for credit losses of<br>\$3,327,680 and \$3,038,730 at 2024 and 2023, respectively | 22,964,076            | 13,991,733            |
| Investments  | 198,633,321           | 181,335,402           |
| Grounds, buildings and equipment, net  | <u>165,137,918</u>    | <u>162,512,019</u>    |
| Total assets   | <u>\$ 451,889,055</u> | <u>\$ 368,832,189</u> |
| <b>LIABILITIES AND NET ASSETS</b>  |                       |                       |
| <b>LIABILITIES:</b>  |                       |                       |
| Accounts payable and accrued expenses  | \$ 6,991,448          | \$ 6,797,981          |
| Deferred revenue and deposits  | 38,860,167            | 2,660,850             |
| Line of credit   | 3,000,000             | -                     |
| Asset retirement obligation  | 3,130,808             | 3,404,389             |
| Postretirement benefit obligation  | 13,871,817            | 14,776,324            |
| Annuities payable  | 1,690,607             | 945,002               |
| Long-term debt   | <u>29,859,704</u>     | <u>11,234,958</u>     |
| Total liabilities  | <u>97,404,551</u>     | <u>39,819,504</u>     |
| <b>NET ASSETS:</b>   |                       |                       |
| Without donor restriction  | 155,677,020           | 146,938,192           |
| With donor restriction   | <u>198,807,484</u>    | <u>182,074,493</u>    |
| Total net assets   | <u>354,484,504</u>    | <u>329,012,685</u>    |
| Total liabilities and net assets   | <u>\$ 451,889,055</u> | <u>\$ 368,832,189</u> |

The accompanying notes are an integral part of these statements.

# ALFRED UNIVERSITY

## STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2024

|  | Without Donor<br><u>Restriction</u> | With Donor<br><u>Restriction</u> | <u>Total</u>   |
|--|-------------------------------------|----------------------------------|----------------|
| OPERATING REVENUES:  |                                     |                                  |                |
| Student revenues -   |                                     |                                  |                |
| Tuition and fees   | \$ 17,263,818                       | \$ -                             | \$ 17,263,818  |
| Residence and dining   | 15,097,424                          | -                                | 15,097,424     |
| Total student revenues   | 32,361,242                          | -                                | 32,361,242     |
| Federal grants and contracts                                   | 7,416,749                           | -                                | 7,416,749      |
| State of New York grants and contracts                         | 15,159,801                          | -                                | 15,159,801     |
| Private gifts, grants, and contracts                           | 2,418,710                           | 3,810,136                        | 6,228,846      |
| Other revenues   | 11,647,834                          | 279,790                          | 11,927,624     |
| Investment income and gains allocated for operations           | 8,675,667                           | -                                | 8,675,667      |
| Net assets released from restrictions for operating purposes   | 4,513,908                           | (4,513,908)                      | -              |
| Total operating revenues                                       | 82,193,911                          | (423,982)                        | 81,769,929     |
| OPERATING EXPENSES:  |                                     |                                  |                |
| Instruction and public service                                 | 30,783,691                          | -                                | 30,783,691     |
| Institutional support  | 17,341,123                          | -                                | 17,341,123     |
| Student services   | 13,568,321                          | -                                | 13,568,321     |
| Auxiliary enterprises  | 10,385,213                          | -                                | 10,385,213     |
| Academic support   | 9,848,530                           | -                                | 9,848,530      |
| Research   | 6,025,916                           | -                                | 6,025,916      |
| Total operating expenses                                       | 87,952,794                          | -                                | 87,952,794     |
| Change in net assets from operating activities                 | (5,758,883)                         | (423,982)                        | (6,182,865)    |
| NONOPERATING ACTIVITIES:                                       |                                     |                                  |                |
| Long-term investment income, net                               | 3,223,745                           | 21,074,606                       | 24,298,351     |
| Investment income allocated for operations                     | (849,144)                           | (7,826,523)                      | (8,675,667)    |
| Capital and endowment gifts and grants                         | 7,669,958                           | 8,233,057                        | 15,903,015     |
| Other nonoperating activities, net                             | (109,085)                           | (69,643)                         | (178,728)      |
| Net periodic benefit cost, net of service costs                | (336,612)                           | -                                | (336,612)      |
| Change in funded status of postretirement benefit plan         | 661,083                             | -                                | 661,083        |
| Change in valuation of annuities                               | -                                   | (16,758)                         | (16,758)       |
| Net assets released from restriction for nonoperating purposes | 4,237,766                           | (4,237,766)                      | -              |
| Change in net assets from nonoperating activities              | 14,497,711                          | 17,156,973                       | 31,654,684     |
| CHANGE IN NET ASSETS   | 8,738,828                           | 16,732,991                       | 25,471,819     |
| NET ASSETS - beginning of year                                 | 146,938,192                         | 182,074,493                      | 329,012,685    |
| NET ASSETS - end of year                                       | \$ 155,677,020                      | \$ 198,807,484                   | \$ 354,484,504 |

The accompanying notes are an integral part of these statements.

# ALFRED UNIVERSITY

## STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2023

|  | Without Donor<br>Restriction | With Donor<br>Restriction | Total                 |
|--|------------------------------|---------------------------|-----------------------|
| <b>OPERATING REVENUES:</b>                                     |                              |                           |                       |
| Student revenues -   |                              |                           |                       |
| Tuition and fees   | \$ 16,778,352                | \$ -                      | \$ 16,778,352         |
| Residence and dining   | 11,983,807                   | -                         | 11,983,807            |
| Total student revenues   | 28,762,159                   | -                         | 28,762,159            |
| Federal grants and contracts                                   | 5,473,100                    | -                         | 5,473,100             |
| State of New York grants and contracts                         | 13,307,613                   | -                         | 13,307,613            |
| Private gifts, grants and contracts                            | 2,788,698                    | 1,261,014                 | 4,049,712             |
| Other revenues   | 4,570,830                    | 303,042                   | 4,873,872             |
| Investment income and gains allocated for operations           | 8,095,547                    | -                         | 8,095,547             |
| Net assets released from restrictions for operating purposes   | 5,609,595                    | (5,609,595)               | -                     |
| Total operating revenues                                       | 68,607,542                   | (4,045,539)               | 64,562,003            |
| <b>OPERATING EXPENSES:</b>                                     |                              |                           |                       |
| Instruction and public service                                 | 28,618,979                   | -                         | 28,618,979            |
| Institutional support  | 14,074,506                   | -                         | 14,074,506            |
| Student services   | 12,327,858                   | -                         | 12,327,858            |
| Auxiliary enterprises  | 9,417,256                    | -                         | 9,417,256             |
| Academic support   | 8,956,405                    | -                         | 8,956,405             |
| Research   | 4,689,359                    | -                         | 4,689,359             |
| Total operating expenses                                       | 78,084,363                   | -                         | 78,084,363            |
| Change in net assets from operating activities                 | (9,476,821)                  | (4,045,539)               | (13,522,360)          |
| <b>NONOPERATING ACTIVITIES:</b>                                |                              |                           |                       |
| Long-term investment income, net                               | 1,502,090                    | 16,128,800                | 17,630,890            |
| Investment income allocated for operations                     | (816,850)                    | (7,278,697)               | (8,095,547)           |
| Capital and endowment gifts and grants                         | 9,279,403                    | 4,954,142                 | 14,233,545            |
| Other nonoperating activities, net                             | (40,890)                     | (57,975)                  | (98,865)              |
| Net periodic benefit cost, net of service costs                | (750,451)                    | -                         | (750,451)             |
| Change in funded status of postretirement benefit plan         | 2,462,352                    | -                         | 2,462,352             |
| Change in valuation of annuities                               | -                            | (183,441)                 | (183,441)             |
| Net assets released from restriction for nonoperating purposes | 1,653,541                    | (1,653,541)               | -                     |
| Change in net assets from nonoperating activities              | 13,289,195                   | 11,909,288                | 25,198,483            |
| <b>CHANGE IN NET ASSETS</b>                                    | 3,812,374                    | 7,863,749                 | 11,676,123            |
| <b>NET ASSETS - beginning of year</b>                          | 143,125,818                  | 174,210,744               | 317,336,562           |
| <b>NET ASSETS - end of year</b>                                | <u>\$ 146,938,192</u>        | <u>\$ 182,074,493</u>     | <u>\$ 329,012,685</u> |

The accompanying notes are an integral part of these statements.

# ALFRED UNIVERSITY

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

|  | <u>2024</u>          | <u>2023</u>         |
|--|----------------------|---------------------|
| CASH FLOW FROM OPERATING ACTIVITIES:   |                      |                     |
| Change in net assets   | \$ 25,471,819        | \$ 11,676,123       |
| Adjustments to reconcile change in net assets<br>to net cash flow from operating activities: |                      |                     |
| Change in funded status of postretirement plan   | (661,083)            | (2,462,352)         |
| Change in contribution discount  | 429,756              | (140,398)           |
| Depreciation expense   | 8,523,603            | 8,411,674           |
| Accretion expense (recovery)   | (252,141)            | 201,390             |
| Realized and unrealized gains on investments   | (21,170,499)         | (14,999,083)        |
| Contributions and grants received for capital and endowment                                  | (15,903,015)         | (14,233,545)        |
| Changes in:  |                      |                     |
| Student accounts receivable, net   | (36,207,897)         | 63,188              |
| Notes and other accounts receivable, net   | (8,972,343)          | 3,219,774           |
| Inventories and other assets   | 256,571              | (253,881)           |
| Accounts payable and accrued expenses  | 193,467              | 1,282,877           |
| Deferred revenues and deposits   | 36,199,317           | (945,949)           |
| Asset retirement obligation  | (21,440)             | (9,101)             |
| Postretirement benefit obligation  | (243,424)            | 162,731             |
| Net cash flow from operating activities  | <u>(12,357,309)</u>  | <u>(8,026,552)</u>  |
| CASH FLOW FROM INVESTING ACTIVITIES:   |                      |                     |
| Purchases of grounds, buildings and equipment  | (8,509,376)          | (7,232,273)         |
| Purchases of investments   | (19,999,645)         | (14,055,168)        |
| Proceeds from the sale of investments  | <u>23,872,225</u>    | <u>14,955,785</u>   |
| Net cash flow from investing activities  | <u>(4,636,796)</u>   | <u>(6,331,656)</u>  |
| CASH FLOW FROM FINANCING ACTIVITIES:   |                      |                     |
| Change in annuities payable  | 745,605              | (1,365,094)         |
| Borrowings on line of credit   | 3,000,000            | -                   |
| Principal repayments of long-term debt   | (917,388)            | (891,223)           |
| Change in U.S. government refundable grants  | -                    | (406,764)           |
| Proceeds from issuance of long-term debt   | 20,228,126           | -                   |
| Payment of deferred financing costs  | (685,992)            | -                   |
| Contributions and grants received for capital and endowment                                  | <u>10,487,838</u>    | <u>10,947,135</u>   |
| Net cash flow from financing activities  | <u>32,858,189</u>    | <u>8,284,054</u>    |
| CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH   | 15,864,084           | (6,074,154)         |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH - beginning of year                               | <u>3,368,668</u>     | <u>9,442,822</u>    |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH - end of year                                     | <u>\$ 19,232,752</u> | <u>\$ 3,368,668</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:  |                      |                     |
| Cash paid during the year for interest on long-term debt                                     | <u>\$ 344,016</u>    | <u>\$ 363,218</u>   |
| Grounds, building and equipment additions funded by New York State                           | <u>\$ 2,640,126</u>  | <u>\$ 9,129,547</u> |

The accompanying notes are an integral part of these statements.

# ALFRED UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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### 1. THE UNIVERSITY

Alfred University (the University) is a not-for-profit, coeducational institution of higher education located in Alfred, New York. The University is comprised of the privately endowed colleges of Liberal Arts and Sciences, Engineering and Business, and the School of Graduate & Continuing Studies, as well as two statutory units - the School of Art and Design and selected programs within the School of Engineering - that the University administers under a contract with the State University of New York (the State). The New York State College of Ceramics (College of Ceramics) is partially funded directly by the State. The New York State direct funding is included in the University's financial statements.

The University obtains reimbursement for expenses associated with support and management of the College of Ceramics under an "Allocation Agreement" with the College of Ceramics. The State owns the majority of buildings which house the College of Ceramics. However, because the University exercises control of those buildings through an agreement with the State, those buildings are included in the University's net investment in grounds, buildings and equipment.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The financial statements of the University have been prepared in conformity with accounting principles generally accepted in the United States (GAAP).

#### **Recently Adopted Accounting Guidance**

Accounting Standards Codification (ASC) Topic 326, *Financial Instruments – Credit Losses*, requires certain financial assets to be measured at amortized cost net of an allowance for estimated credit losses. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The estimated credit loss is required to be based on historical information, current conditions, and forecasts that could impact the collectability of the amounts. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses.

Effective July 1, 2023, the University adopted ASC 326 using the modified retrospective approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. The new accounting pronouncement did not have a material impact on the financial statements. Results for reporting periods beginning after July 1, 2023 are presented under CECL while prior period amounts continue to be reported and disclosed in accordance with previously applicable accounting standards.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial Reporting

The University classifies its activities into the following net asset categories:

- **Net Assets Without Donor Restriction**

Net assets without donor restrictions are not subject to donor-imposed stipulations and are generally available for support of the University's activities, with certain limitations, as follows:

- The Board of Trustees, through voluntary resolutions, has set aside portions of the University's net assets without donor restriction to function as endowment for grounds, buildings and equipment purposes, and for other specific operating purposes.
- Investment income, as well as gains and losses on investments, are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulations or by law. When such restrictions exist, investment income, gains or losses are reported as net assets with donor restriction.

- **Net Assets With Donor Restriction**

Net assets with donor restrictions are subject to donor-imposed stipulations that are either perpetual in nature or will be met by actions of the University and/or the passage of time. Generally, the University is permitted to use or expend part or all of the income and gains derived from net assets with donor restrictions that are perpetual in nature, restricted only by the donors' wishes.

Expirations of restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) that do not occur within the same period as revenue recognition are reported as releases from net assets with donor restriction to net assets without donor restriction. Donor restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service.

Net assets with donor restriction also include investment earnings on endowment funds that have been restricted in perpetuity by donors, and which have not yet been appropriated for expenditure by the Board of Trustees. When a donor restriction expires or appropriation is made by the Board, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities and change in net assets as net assets released from restrictions.

### Operations

The statements of activities and change in net assets present the changes in net assets of the University from operating activities and from non-operating activities. Operating revenues and expenses relate primarily to educational programs and research activities provided by the University. Utilization of investment income and gains on long-term investments held for endowment and similar purposes under the University's total return spending policy is considered operating revenue.

Non-operating activities consist primarily of investment income and appreciation from long-term investments in excess of amounts utilized for operations, as well as gifts received that are restricted by donors or designated by the University for long-term purposes, and postretirement benefit related changes other than net periodic benefit costs.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Cash, Cash Equivalents and Limited Use Assets**

Cash and cash equivalents consist of amounts on deposit with financial institutions, short-term investments with maturities of three months or less, and other highly liquid investments, primarily cash management funds. Limited use assets consist of bank demand deposit accounts that will be used for capital projects. At times, the balances of cash, cash equivalents and limited uses assets may exceed federally insured limits. The University has not experienced any losses in these accounts and does not believe it is exposed to any significant credit risk with respect to the balances.

Cash, cash equivalents and restricted cash as shown in the accompanying statements of cash flows consisted of the following at June 30:

|                           | <u>2024</u>          | <u>2023</u>         |
|---------------------------|----------------------|---------------------|
| Cash and cash equivalents | \$ 316,104           | \$ 3,368,668        |
| Limited use assets        | <u>18,916,648</u>    | <u>-</u>            |
|                           | <u>\$ 19,232,752</u> | <u>\$ 3,368,668</u> |

### **Inventories**

Inventories are stated at the lower of cost, determined on the first-in, first-out method, or net realizable value.

### **Notes and Other Accounts Receivable**

Notes and other accounts receivable consist primarily of Perkins and other loan receivables due from students and are stated at the unpaid principal balance. Interest on notes and loans receivable is recognized over the term of the loans. The University evaluates individual student loan receivables for impairment on an as-needed basis, and any amounts deemed uncollectible based upon an assessment of the debtor's financial situation are immediately written-off to the allowance for credit losses. Further, the University does not evaluate the credit quality of student loans receivable after the initial approval and calculation of the loans. At June 30, 2024 and 2023, there were no impaired loans.

In order to determine the collectability of notes and other accounts receivable, the University considers the age of the amounts outstanding. The University applies a reserve percentage to the age brackets to arrive at an allowance for credit losses. The reserve percentage increases as the number of days outstanding increases. The percentages used are based on prior collection experience, current and future economic conditions, and a review of existing receivables. Accounts for which no payments have been received for a period of time, which varies by the nature of the receivable, are considered delinquent and written off or sent to collections, as appropriate.

### **Investments**

Investments consist of cash and cash equivalents, corporate bond funds, U.S. government obligations, and mutual funds stated at fair value; limited partnerships and hedge funds and private equity stated at net asset value; as well as closely held stock that is stated at cost, which approximates fair value. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is possible that changes in their values could occur in the near term and such changes could materially affect the amounts reported in the accompanying financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Endowment**

The University's endowment consists of investments that are managed to achieve a maximum long-term total return. The University's Board of Trustees has authorized a policy permitting the use of total returns at a rate (spending rate) of approximately 6% of the average quarterly market value of its investment portfolio for the most recent ten calendar years. To the extent that the total return requirement for the current year is not fulfilled by interest and dividends, the University utilizes the appreciation of its endowment and similar net assets for operating purposes. In addition, endowment investment appreciation may be utilized, with trustee approval, for other purposes. This policy is designed to preserve the value of the portfolio in real terms (after inflation) and provide a predictable flow of funds to support operations.

### **Fair Value Measurement - Definition and Hierarchy**

The University uses various valuation techniques in determining fair value. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the University. Unobservable inputs are inputs that reflect the University's estimate about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 Inputs - Valuations are based on quoted prices in active markets for identical assets or liabilities that the University has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation does not entail a significant degree of judgment.
- Level 2 Inputs - Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 Inputs - Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

### **Grounds, Buildings and Equipment**

Grounds, buildings and equipment are stated at cost, if purchased, or the fair value at the date of donation. Grounds, buildings and equipment related to the College of Ceramics, paid for and owned by the State, are recognized in the accompanying financial statements. Debt and debt service related to borrowings of the State for the construction and renovation of plant for the College of Ceramics are not included in the financial statements, as they are not obligations of the University.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Grounds, Buildings and Equipment (Continued)

Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. The estimated useful lives in years are as follows:

|                            | <u>University</u> | <u>College of<br/>Ceramics</u> |
|----------------------------|-------------------|--------------------------------|
| Buildings and improvements | 10 to 40          | 40                             |
| Equipment                  | 5                 | 5                              |

The University's capitalization policy requires that all donated or purchased equipment with a useful life greater than one year and a cost or fair value exceeding \$5,000 be recorded as a capital asset. Buildings and improvements with a cost or fair market value exceeding \$25,000 are recorded as capital assets. Impairment losses are recognized when the carrying value of an asset exceeds its fair value. The University regularly assesses all of its long-lived assets for impairment and has determined that no impairment losses need to be recognized in the periods reported.

### Student Revenues and Receivables

Revenue from contracts with students is recognized in the fiscal year in which the academic programs are delivered and in the period in which the University satisfies the performance obligations by transferring services to students. The University establishes tuition and fees and room and board contracts with students upon the earliest of receipt of the enrollment deposit, registration for classes, a signed financial responsibility agreement or similar consent by the student. The University's performance obligation relative to tuition and fees is a bundled obligation to provide instruction for students over the stated period of the contract (i.e., the academic term), along with any additional services as outlined in academic programs.

Students who withdraw completely within the first 60% of the academic term may receive a full or partial refund in accordance with the University's refund policy. Refunds issued reduce the amount of revenue recognized. At June 30, 2024 and 2023, due to the timing of each academic semester, there was no variable consideration recorded related to refunds.

Payments for tuition and fees and room and board are due approximately 2 weeks prior to the start of the academic term. Revenue related to room and board is recognized at the amount to which the University expects to be entitled, and this transaction price (i.e., the term rate) is allocated to the bundled service. Each student resident pays a semester based rate based on the elected meal plan and room type. Each academic term, the performance obligation is satisfied as the benefit of the services are consumed and room and board revenue is recorded.

The transaction price consists of the published rates, less University funded financial aid awarded, net of withdrawals to/from the University (i.e., tuition contract modification or termination). All scholarships and grants awarded to students are applied to tuition first, up-to the amount of tuition for the student, with the remaining amount to be applied to room and board, if any.

Student revenues are charged and collected on a term by term basis. The University expects to collect established payments due under student contracts, less any University funded student financial aid. Amounts that remain uncollected at the end of the term are included as student accounts receivable. The University records an allowance for credit losses based on prior collection experience, current and future economic conditions, and a review of existing receivables. Accounts for which no payments have been received for a period of time, which varies by the nature of the receivable, are considered delinquent and written-off or sent to collections, as appropriate.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Student Revenues and Receivables (Continued)**

Revenue from tuition and fees accounted for approximately 21% and 26% of the University's operating revenues in 2024 and 2023, respectively. Revenue from room and board accounted for approximately 18% and 19% of the University's operating revenues in 2024 and 2023, respectively.

### **Deferred Revenue and Deposits**

Deferred revenue and deposits consist of tuition and fees for the summer and fall semester and room deposits that span across fiscal years and are recognized to the extent that the performance obligations have been met. Unearned revenue relating to summer and fall classes is deferred to the next fiscal year. During 2024, the University changed the timing of the billing for fall semester to occur prior to year-end. Fall semester billings had previously been billed after year-end. Therefore, fall semester billings for the year ended June 30, 2024 were not included in deferred revenue at June 30, 2023. As of June 30, 2024, there was approximately \$37,921,000 of remaining performance obligations under open service contracts. These amounts are expected to be recognized in operating revenue during the year ending June 30, 2025. As of June 30, 2023, there was approximately \$1,182,000 of deferred revenue related to remaining performance obligations which was recognized as tuition revenue during the fiscal year ended June 30, 2024.

In addition, the University records student deposits and prepayments for the fall semester. As of June 30, 2024, there was approximately \$674,000 of deferred revenue related to remaining performance obligations for student deposits and prepayments. These amounts are expected to be recognized in operating revenues during the fiscal year ending June 30, 2025. As of June 30, 2023, there was approximately \$701,000 of deferred revenue related to remaining performance obligations which were recognized as tuition revenues during the fiscal year ended June 30, 2024.

Also included in deferred revenue and deposits is an advance payment from a vendor. In 2013, the University entered into a contract with a dining service vendor to provide services to the University. In lieu of rent, the contract provided for the vendor to make improvements to University dining facilities totaling \$1,615,893. In 2020, the contract was modified and the University made additional improvements to dining facilities totaling \$848,919. The contract provides for a pro-rata reimbursement of these improvements to the vendor if the University cancels the contract before its expiration on June 30, 2029.

Annual amortization of the deferred revenue related to these transactions was \$135,039 for both the years ended June 30, 2024 and 2023, and is reflected in other revenues in the statements of activities and change in net assets. At June 30, 2024 and 2023, the remaining deferred revenue was approximately \$675,000 and \$810,000, respectively.

### **Contributions**

Contributions, including unconditional promises to give, are recognized as revenue in the period received or pledged. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Contributions (Continued)**

Contributions are reported as increases in the appropriate category of net assets, except that contributions which impose donor restrictions that are met in the same fiscal year they are received are included in without donor restrictions revenues. Contributions to be received in the future are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue. An allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors. No allowance was considered necessary as of June 30, 2024 and 2023.

### **Grants and Contracts**

Revenue from grants and contracts, primarily for research programs, is generally recognized when conditions are met, that is, as the related costs are incurred under the grant or contract agreements. Amounts received in advance are reported as deferred revenue.

Grants and contracts awarded to the University are subject to audit by the various sponsoring agencies. Indirect costs recovered on grants and contracts are recorded at rates established by the University with the Federal Government, or predetermined by the nonfederal sponsor. Indirect cost rates for government grants and contracts are subject to audit, and subsequent final settlements are recorded as current period adjustments. Management believes the impact of any future settlements to be immaterial to the accompanying financial statements.

### **U.S. Government Refundable Grants**

U.S. Government refundable grants represent funds received from the federal government to fund the Federal Perkins Student Loan program, which ended on September 30, 2017. In 2020, the Department of Education requested the return of excess liquid capital from the Perkins fund cash on hand, which was partially repaid on an annual basis and fully completed by the University in 2023.

### **Taxes Collected and Remitted to Government Authorities**

The University presents revenue net of taxes collected.

### **Income Taxes**

The Internal Revenue Service has determined and informed the University by a letter dated May 28, 1971, that the University is tax-exempt on related income, under section 501(c)(3) of the Internal Revenue Code. Management does not believe that circumstances after the date of the Internal Revenue Service determination letter will affect the tax-exempt status of the University. The University has also been classified as an organization that is not a private foundation.

### **Estimates**

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### 3. LIQUIDITY

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures. Loans receivable are not considered to be available to meet general expenditures because principal and interest on these loans are used solely to make new loans.

The University maintains an endowment that consists of donor-restricted contributions and a Board designated quasi-endowment fund. The endowment consists of investments that are managed to preserve the purchasing power of the corpus and insulate program spending from fluctuations in capital markets. Although the University does not intend to spend more than the authorized spending rate, the Board of Trustees could authorize additional appropriations from the endowment if necessary.

A significant portion of the University's financial assets consist of investments. Approximately 87% of the University's investment portfolio consists of highly liquid investments. Approximately 13% of the University's investment portfolio is invested in investments which are subject to constraints that limit the University's ability to withdraw capital. These constraints may limit the University's ability to respond quickly to changes in market conditions.

The following financial assets could be made readily available within one year of the balance sheet date to meet general expenditures as of June 30:

|  | <u>2024</u>          | <u>2023</u>         |
|--|----------------------|---------------------|
| Financial assets at end of year  | \$ 267,225,788       | \$ 205,454,898      |
| Less: Amounts not available to meet general expenditures within one year due to: |                      |                     |
| Contractual or donor-imposed restrictions:                                       |                      |                     |
| Donor restricted endowment   | (173,969,240)        | (159,249,082)       |
| Donor restricted for capital projects  | (10,424,679)         | (8,776,689)         |
| Other donor restricted amounts   | (13,836,852)         | (13,114,666)        |
| Investments held for annuities payable to donors                                 | (1,690,607)          | (945,002)           |
| Investment in closely held stock   | (1,238,000)          | (1,238,000)         |
| Loans receivable, net  | (7,199,713)          | (7,785,923)         |
| Board designations:  |                      |                     |
| Endowment  | (19,824,011)         | (17,276,565)        |
| Spending policy appropriation for next fiscal year                               | <u>9,090,293</u>     | <u>8,675,819</u>    |
| Financial assets available to meet general expenditures within one year          | <u>\$ 48,132,979</u> | <u>\$ 5,744,790</u> |

#### 4. NET ASSETS

The University's net assets consisted of the following at June 30:

|   | <u>2024</u>           | <u>2023</u>           |
|---|-----------------------|-----------------------|
| <b>Without Donor Restrictions</b>   |                       |                       |
| Available for operating needs   | \$ (22,410,758)       | \$ (25,996,989)       |
| Student loan programs   | 7,199,713             | 7,785,923             |
| Funds functioning as endowment as designated by the Board of Trustees         | 19,824,011            | 17,276,565            |
| Funds for future capital  | 18,916,648            | -                     |
| Investment in plant, net of long-term debt                                    | <u>132,147,406</u>    | <u>147,872,693</u>    |
|   | <u>\$ 155,677,020</u> | <u>\$ 146,938,192</u> |
| <b>With Donor Restrictions</b>  |                       |                       |
| Net assets restricted by time or purpose:                                     |                       |                       |
| Amounts for scholarships  | \$ 2,554,016          | \$ 2,092,539          |
| Amounts for capital projects  | 6,530,665             | 8,776,689             |
| Amounts for operations  | 5,777,388             | 5,875,872             |
| Contributions receivable for capital projects                                 | 3,894,014             | -                     |
| Contributions receivable for operations                                       | 1,214,529             | 1,407,924             |
| Accumulated unappropriated earnings on perpetually restricted endowment funds | <u>77,276,992</u>     | <u>64,420,442</u>     |
|   | <u>97,247,604</u>     | <u>82,573,466</u>     |
| Net assets with perpetual restrictions:                                       |                       |                       |
| Endowment and similar funds for scholarships                                  | 32,817,472            | 32,599,918            |
| Endowment and similar funds for operations                                    | 63,873,156            | 62,228,722            |
| Other funds for operations  | 3,094,752             | 1,780,865             |
| Contributions receivable to endow operations                                  | <u>1,774,500</u>      | <u>2,891,522</u>      |
|   | <u>101,559,880</u>    | <u>99,501,027</u>     |
|   | <u>\$ 198,807,484</u> | <u>\$ 182,074,493</u> |

#### 5. STUDENT ACCOUNTS RECEIVABLE AND REVENUES

Student revenues consisted of the following for the years ended June 30:

|                                      | <u>2024</u>          | <u>2023</u>          |
|--------------------------------------|----------------------|----------------------|
| Gross tuition and fees               | \$ 56,767,632        | \$ 49,771,534        |
| Less:                                |                      |                      |
| Financial aid - institutional        | (29,555,116)         | (25,860,174)         |
| Financial aid - government and donor | <u>(9,948,698)</u>   | <u>(7,133,008)</u>   |
| Tuition and fees                     | 17,263,818           | 16,778,352           |
| Room and board                       | <u>15,097,424</u>    | <u>11,983,807</u>    |
| Total student revenue                | <u>\$ 32,361,242</u> | <u>\$ 28,762,159</u> |



## 5. STUDENT ACCOUNTS RECEIVABLE AND REVENUES (Continued)

Student accounts receivable, net consisted of the following for the years ended June 30:

|                                   | <u>2024</u>          | <u>2023</u>         |
|-----------------------------------|----------------------|---------------------|
| Gross student accounts receivable | \$ 39,011,245        | \$ 2,838,348        |
| Less: Allowance for credit losses | <u>(582,000)</u>     | <u>(617,000)</u>    |
|                                   | <u>\$ 38,429,245</u> | <u>\$ 2,221,348</u> |

Changes in the allowance for credit losses for the year ended June 30, 2024 were as follows:

|                       |                     |
|-----------------------|---------------------|
| Balance July 1, 2023  | \$ (617,000)        |
| Write-offs            | 35,000              |
| Provisions            | <u>-</u>            |
| Balance June 30, 2024 | <u>\$ (582,000)</u> |

At June 30, 2022 the university's student accounts receivable, net was \$2,284,537.

## 6. NOTES AND OTHER ACCOUNTS RECEIVABLE

Notes and other accounts receivable consisted of the following at June 30:

|                                      | <u>2024</u>          | <u>2023</u>          |
|--------------------------------------|----------------------|----------------------|
| Perkins and other loans receivable   | \$ 10,527,393        | \$ 10,824,653        |
| Grants and other receivables         | 9,135,355            | 6,205,810            |
| Employee retention credit receivable | <u>6,629,008</u>     | <u>-</u>             |
|                                      | 26,291,756           | 17,030,463           |
| Less: Allowance for credit losses    | <u>(3,327,680)</u>   | <u>(3,038,730)</u>   |
|                                      | <u>\$ 22,964,076</u> | <u>\$ 13,991,733</u> |

Changes in the allowance for credit losses for the year ended June 30, 2024 were as follows:

|                       |                       |
|-----------------------|-----------------------|
| Balance July 1, 2023  | \$ (3,038,730)        |
| Write-offs            | 59,490                |
| Provisions            | <u>(348,440)</u>      |
| Balance June 30, 2024 | <u>\$ (3,327,680)</u> |

## 6. NOTES AND OTHER ACCOUNTS RECEIVABLE (Continued)

Perkins student loans and institutional loans receivable allowances for credit losses changed as follows for the years ended June 30:

|   | Perkins Student<br><u>Loans</u> | Institutional<br><u>Loans</u> |
|---|---------------------------------|-------------------------------|
| Allowance for credit losses - July 1, 2022  | \$ (546,705)                    | \$ (2,622,100)                |
| Decreases (increases)                       | <u>475,875</u>                  | <u>(345,800)</u>              |
| Allowance for credit losses - June 30, 2023 | (70,830)                        | (2,967,900)                   |
| Decreases (increases)                       | <u>59,490</u>                   | <u>(348,440)</u>              |
| Allowance for credit losses - June 30, 2024 | <u><u>\$ (11,340)</u></u>       | <u><u>\$ (3,316,340)</u></u>  |

At June 30, 2024, the following amounts were outstanding for Perkins student loans and institutional loans receivable:

|                          | <u>Current</u>             | <u>1 - 59 Days<br/>Past Due</u> | <u>60 - 89<br/>Days<br/>Past Due</u> | <u>90+ Days<br/>Past Due</u> | <u>Total</u>               |
|--------------------------|----------------------------|---------------------------------|--------------------------------------|------------------------------|----------------------------|
| Perkins student<br>loans | \$ 527,080                 | \$ 22,832                       | \$ 13,042                            | \$ 74,698                    | \$ 637,652                 |
| Less: Allowance          | <u>-</u>                   | <u>-</u>                        | <u>-</u>                             | <u>(11,340)</u>              | <u>(11,340)</u>            |
|                          | <u><u>\$ 527,080</u></u>   | <u><u>\$ 22,832</u></u>         | <u><u>\$ 13,042</u></u>              | <u><u>\$ 63,358</u></u>      | <u><u>\$ 626,312</u></u>   |
| Institutional loans      | \$ 5,050,417               | \$ 247,517                      | \$ 120,355                           | \$ 4,471,452                 | \$ 9,889,741               |
| Less: Allowance          | <u>-</u>                   | <u>-</u>                        | <u>-</u>                             | <u>(3,316,340)</u>           | <u>(3,316,340)</u>         |
|                          | <u><u>\$ 5,050,417</u></u> | <u><u>\$ 247,517</u></u>        | <u><u>\$ 120,355</u></u>             | <u><u>\$ 1,155,112</u></u>   | <u><u>\$ 6,573,401</u></u> |

At June 30, 2023, the following amounts were outstanding for Perkins student loans and institutional loans receivable:

|                          | <u>Current</u>             | <u>1 - 59 Days<br/>Past Due</u> | <u>60 - 89<br/>Days<br/>Past Due</u> | <u>90+ Days<br/>Past Due</u> | <u>Total</u>               |
|--------------------------|----------------------------|---------------------------------|--------------------------------------|------------------------------|----------------------------|
| Perkins student<br>loans | \$ 811,623                 | \$ 42,961                       | \$ 9,775                             | \$ 186,999                   | \$ 1,051,358               |
| Less: Allowance          | <u>-</u>                   | <u>-</u>                        | <u>-</u>                             | <u>(70,830)</u>              | <u>(70,830)</u>            |
|                          | <u><u>\$ 811,623</u></u>   | <u><u>\$ 42,961</u></u>         | <u><u>\$ 9,775</u></u>               | <u><u>\$ 116,169</u></u>     | <u><u>\$ 980,528</u></u>   |
| Institutional loans      | \$ 5,372,611               | \$ 200,416                      | \$ 110,737                           | \$ 4,089,531                 | \$ 9,773,295               |
| Less: Allowance          | <u>-</u>                   | <u>-</u>                        | <u>-</u>                             | <u>(2,967,900)</u>           | <u>(2,967,900)</u>         |
|                          | <u><u>\$ 5,372,611</u></u> | <u><u>\$ 200,416</u></u>        | <u><u>\$ 110,737</u></u>             | <u><u>\$ 1,121,631</u></u>   | <u><u>\$ 6,805,395</u></u> |

## 7. INVESTMENTS

Investments consisted of the following at June 30:

|                                      | <u>2024</u>          | <u>2023</u>          |
|--------------------------------------|----------------------|----------------------|
| Cash and cash equivalents            | \$ 17,971,059        | \$ 18,489,572        |
| Fixed income funds                   | 1,781,114            | 1,005,284            |
| U.S. government obligations          | 48,000               | 48,000               |
| Mutual funds                         | 153,350,696          | 136,786,343          |
| Closely held stock                   | 1,238,000            | 1,238,000            |
| Limited partnerships and hedge funds | 1,174,357            | 1,139,934            |
| Private equity                       | <u>23,070,095</u>    | <u>22,628,269</u>    |
|                                      | <u>\$198,633,321</u> | <u>\$181,335,402</u> |

## 8. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of the University's investments in cash and cash equivalents, fixed income funds, U.S. government obligations, and mutual funds are valued at the last reported sale price on the last business day of the fiscal year. Quoted market prices are obtained from the national securities exchanges or, in cases where securities are not listed on any of the exchanges, from brokerage firms.

The University utilized the net asset value (NAV) reported by each of the limited partnerships, hedge funds and private equity funds (collectively, alternative investments) as a practical expedient for determining the fair value of these investments. These investments are redeemable at NAV under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements.

Due to the nature of the investments held by these funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the University's interests in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the University's interest in the funds.

There have been no changes in valuation methodologies used at June 30, 2024 and 2023.

## 8. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The University's investments are measured at fair value on a recurring basis using the following input levels at June 30, 2024:

|                                 | <u>Level 1</u>       | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>       |
|---------------------------------|----------------------|----------------|----------------|--------------------|
| Cash and cash equivalents       | \$ 17,971,059        | \$ -           | \$ -           | \$ 17,971,059      |
| Fixed income funds              | 1,781,114            | -              | -              | 1,781,114          |
| U.S. government obligations     | 48,000               | -              | -              | 48,000             |
| Mutual funds                    | <u>153,350,696</u>   | <u>-</u>       | <u>-</u>       | <u>153,350,696</u> |
| Total investments at fair value | <u>\$173,150,869</u> | <u>\$ -</u>    | <u>\$ -</u>    | 173,150,869        |

Investments, measured using net asset value as a practical expedient:

|  |                      |
|--|----------------------|
| Limited partnerships and hedge funds             | 1,174,357            |
| Private equity                                   | 23,070,095           |
| Investment in closely held stock, valued at cost | <u>1,238,000</u>     |
| Total investments                                | <u>\$198,633,321</u> |

The University's investments are measured at fair value on a recurring basis using the following input levels at June 30, 2023:

|                                 | <u>Level 1</u>       | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>       |
|---------------------------------|----------------------|----------------|----------------|--------------------|
| Cash and cash equivalents       | \$ 18,489,572        | \$ -           | \$ -           | \$ 18,489,572      |
| Fixed income funds              | 1,005,284            | -              | -              | 1,005,284          |
| U.S. government obligations     | 48,000               | -              | -              | 48,000             |
| Mutual funds                    | <u>136,786,343</u>   | <u>-</u>       | <u>-</u>       | <u>136,786,343</u> |
| Total investments at fair value | <u>\$156,329,199</u> | <u>\$ -</u>    | <u>\$ -</u>    | 156,329,199        |

Investments, measured using net asset value as a practical expedient:

|  |                      |
|--|----------------------|
| Limited partnerships and hedge funds             | 1,139,934            |
| Private equity                                   | 22,628,269           |
| Investment in closely held stock, valued at cost | <u>1,238,000</u>     |
| Total investments                                | <u>\$181,335,402</u> |

## 8. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The University's significant alternative investment strategies are described as follows:

- Limited partnerships and hedge funds - seek to achieve above average returns primarily through investing in a globally diverse mix of public and private assets, private companies, and debt.
- Private equity - seek to achieve long term appreciation using a targeted approach to private equity investing including venture capital, buyouts and distressed investing.

The nature and risk of alternative investments by major category are as follows for the year ended June 30, 2024:

|                                      | <u>Net Asset<br/>Value</u> | <u>Unfunded<br/>Commitments</u> | <u>Redemption Provisions</u>   |
|--------------------------------------|----------------------------|---------------------------------|--|
| Limited partnerships and hedge funds | \$ 1,174,357               | \$ 368,555                      | Redemptions are allowed on a monthly, quarterly, or annual basis depending on the investment. Required notice of redemption varies from 30 - 180 days. |
| Private equity                       | <u>23,070,095</u>          | <u>4,667,875</u>                | No voluntary redemptions allowable. Investments will be redeemed upon dissolution of the individual funds.   |
|                                      | <u>\$ 24,244,452</u>       | <u>\$ 5,036,430</u>             |  |

## 9. ENDOWMENT

The University's endowment consisted of the following at June 30, 2024:

|  | <u>Without Donor<br/>Restriction</u> | <u>With Donor<br/>Restriction -<br/>Time/Purpose</u> | <u>With Donor<br/>Restriction -<br/>Perpetual</u> | <u>Total</u>         |
|--|--------------------------------------|--|---|----------------------|
| Donor designated endowment funds         | \$ -                                 | \$ 77,278,613  | \$ 96,690,627                                     | \$173,969,240        |
| Board designated (Quasi) endowment funds | <u>19,824,011</u>                    | <u>-</u>   | <u>-</u>  | <u>19,824,011</u>    |
|  | <u>\$ 19,824,011</u>                 | <u>\$ 77,278,613</u>                                 | <u>\$ 96,690,627</u>                              | <u>\$193,793,251</u> |

The University's endowment consisted of the following at June 30, 2023:

|  | <u>Without Donor<br/>Restriction</u> | <u>With Donor<br/>Restriction -<br/>Time/Purpose</u> | <u>With Donor<br/>Restriction -<br/>Perpetual</u> | <u>Total</u>         |
|--|--------------------------------------|--|---|----------------------|
| Donor designated endowment funds         | \$ -                                 | \$ 64,420,442  | \$ 94,828,640                                     | \$159,249,082        |
| Board designated (Quasi) endowment funds | <u>17,276,565</u>                    | <u>-</u>   | <u>-</u>  | <u>17,276,565</u>    |
|  | <u>\$ 17,276,565</u>                 | <u>\$ 64,420,442</u>                                 | <u>\$ 94,828,640</u>                              | <u>\$176,525,647</u> |

## 9. ENDOWMENT (Continued)

Changes in the University's endowment consisted of the following for the year ended June 30, 2024:

|   | Without Donor<br>Restriction | With Donor<br>Restriction -<br>Time/Purpose | With Donor<br>Restriction -<br>Perpetual | <u>Total</u>         |
|---|------------------------------|---|--|----------------------|
| Endowment net assets -<br>July 1, 2023  | \$ 17,276,565                | \$ 64,420,442                               | \$ 94,828,640                            | \$176,525,647        |
| Investment return                       | 2,380,314                    | 20,684,696                                  | -  | 23,065,010           |
| Contributions                           | 1,016,276                    | -   | 617,965                                  | 1,634,241            |
| Transfers                               | -                            | -   | 1,244,022                                | 1,244,022            |
| Appropriations for expenditure          | <u>(849,144)</u>             | <u>(7,826,525)</u>                          | <u>-</u>                                 | <u>(8,675,669)</u>   |
| Endowment net assets -<br>June 30, 2024 | <u>\$ 19,824,011</u>         | <u>\$ 77,278,613</u>                        | <u>\$ 96,690,627</u>                     | <u>\$193,793,251</u> |

Changes in the University's endowment consisted of the following for the year ended June 30, 2023:

|   | Without Donor<br>Restriction | With Donor<br>Restriction -<br>Time/Purpose | With Donor<br>Restriction -<br>Perpetual | <u>Total</u>         |
|---|------------------------------|---|--|----------------------|
| Endowment net assets -<br>July 1, 2022  | \$ 16,530,756                | \$ 55,788,494                               | \$ 89,710,318                            | \$162,029,568        |
| Investment return                       | 1,702,961                    | 15,910,776                                  | -  | 17,613,737           |
| Contributions                           | 68,460                       | -   | 2,138,935                                | 2,207,395            |
| Transfers                               | (208,893)                    | -   | 2,979,387                                | 2,770,494            |
| Appropriations for expenditure          | <u>(816,719)</u>             | <u>(7,278,828)</u>                          | <u>-</u>                                 | <u>(8,095,547)</u>   |
| Endowment net assets -<br>June 30, 2023 | <u>\$ 17,276,565</u>         | <u>\$ 64,420,442</u>                        | <u>\$ 94,828,640</u>                     | <u>\$176,525,647</u> |

### Interpretation of Relevant Law

The Board of Trustees of the University has interpreted the applicable provisions of New York Not-for-Profit Corporation Law to mean that the classification of appreciation of gifts with perpetual donor restrictions, beyond the original gift amount, follows the donor's restrictions on the use of the related income (interest and dividends) and is classified as with donor restriction until appropriated by the Board for expenditure.

### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the University to retain as a fund of perpetual duration. The University has a policy that permits spending from underwater endowment funds, unless specifically prohibited by the donor or relevant laws and regulations. As of June 30, 2024 the University had a fund with a deficiency of this nature in one donor-restricted endowment fund, which had an original gift value of approximately \$25,000, current value of approximately \$24,500, and a deficiency of approximately \$500. As of June 30, 2023, the University had funds with deficiencies of this nature in 13 donor-restricted endowment funds, which had an original gift value of approximately \$3,100,000, current value of approximately \$3,000,000, and a deficiency of approximately \$100,000. These deficiencies resulted from unfavorable market fluctuations.

## 9. ENDOWMENT (Continued)

### Return Objectives and Risk Parameters

The University's primary investment objective of the endowment fund is to achieve, over time, an annualized rate of return that exceeds the spending rate set by the Board of Trustees plus long-term inflation (as measured by the Consumer Price Index (CPI)) plus the expenses of managing the fund.

### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places an emphasis on maintaining a balanced investment portfolio that places a greater emphasis on equity based investments to achieve its long-term return objectives within prudent risk constraints.

### Spending Policy and Related Investment Objectives

The long-term objective of the spending guidelines is to maintain the purchasing power of the endowment with the goal of providing a reasonable, predictable, stable, and sustainable level of income to support current operations. The Board of Trustees has approved an annual spending rate of 6% of the average quarterly market value of its investment portfolio for the most recent ten calendar years.

To the extent that the total return requirement for the current year is not fulfilled by interest and dividends, the University utilizes the appreciation of its endowment and similar net assets for operating purposes. In addition, board designated endowment investment appreciation may be utilized, with trustee approval, for other purposes.

## 10. GROUNDS, BUILDINGS AND EQUIPMENT

The University's investment in grounds, buildings and equipment consisted of the following at June 30:

|  | <u>2024</u>           | <u>2023</u>           |
|--|-----------------------|-----------------------|
| Grounds                                    | \$ 1,421,937          | \$ 1,421,937          |
| Buildings and improvements                 | 283,265,492           | 276,449,717           |
| Equipment, library books and museum pieces | 43,360,020            | 41,334,136            |
| Construction in progress                   | <u>14,231,615</u>     | <u>12,711,867</u>     |
|  | 342,279,064           | 331,917,657           |
| Less: Accumulated depreciation             | <u>(177,141,146)</u>  | <u>(169,405,638)</u>  |
|  | <u>\$ 165,137,918</u> | <u>\$ 162,512,019</u> |

Included in grounds, buildings and equipment are plant assets specifically relating to the College of Ceramics of \$71,751,187 and \$69,986,322, net of related accumulated depreciation, at June 30, 2024 and 2023, respectively.

## 11. ASSET RETIREMENT OBLIGATION

The University has asset retirement obligations (AROs) arising from regulatory requirements to perform certain asset retirement activities at the time that certain buildings are renovated or disposed. The liability was initially measured at fair value and subsequently is adjusted for accretion expense and changes in the amount or timing of the estimated cash flows. The following table presents the activity for the AROs was as follows for the years ended June 30:

|                              | <u>2024</u>         | <u>2023</u>         |
|------------------------------|---------------------|---------------------|
| Balance at beginning of year | \$ 3,404,389        | \$ 3,212,100        |
| Settled obligations          | (21,440)            | (9,101)             |
| Accretion expense (recovery) | <u>(252,141)</u>    | <u>201,390</u>      |
| Balance at end of year       | <u>\$ 3,130,808</u> | <u>\$ 3,404,389</u> |

## 12. LONG-TERM DEBT

Long-term debt consisted of the following at June 30:

|   |               |                 |                      |                        | <u>Balance</u>      |                     |
|---|---------------|-----------------|----------------------|------------------------|---------------------|---------------------|
|   | <u>Issued</u> | <u>Maturity</u> | <u>Interest Rate</u> | <u>Original Amount</u> | <u>2024</u>         | <u>2023</u>         |
| Allegany County Industrial Development Agency- Series 2015A bonds | 2015          | 2028            | 2.90                 | \$ 8,716,483           | \$ 3,078,607        | \$ 3,770,199        |
| Community Bank – Openhym Renovation                               | 2021          | 2046            | 3.25                 | 8,000,000              | 7,238,963           | 7,464,759           |
| Allegany County Industrial Development Agency- Series 2024 bonds  | 2024          | 2054            | 5.00                 | 19,015,000             | <u>19,015,000</u>   | <u>-</u>            |
|   |               |                 |                      |                        | 29,332,570          | 11,234,958          |
| Plus: Unamortized bond premiums                                   |               |                 |                      |                        | 1,213,126           | -                   |
| Less: Unamortized deferred financing costs                        |               |                 |                      |                        | <u>(685,992)</u>    | <u>-</u>            |
|   |               |                 |                      |                        | <u>\$29,859,704</u> | <u>\$11,234,958</u> |

The University has certain financial and non-financial debt covenants in connection with its long-term debt agreements. At June 30, 2024 and 2023, the University determined it was in compliance with these covenants.

Under an agreement with the Allegany County Industrial Development Agency (ACIDA), in 2015 serial and term bonds were issued for the purpose of refunding the ACIDA Civic Facility Revenue Bonds, Series 1991 and Dormitory Authority of the State of New York Series B Bonds, and for the purposes of financing the installation of fiber optic cable throughout the University's campus and making other improvements to existing buildings.

In 2021, the University borrowed \$8,000,000 in connection with renovations to Openhym Hall. The loan bears interest at a fixed rate of 3.25% and matures in January 2046.

Under an agreement with the ACIDA, in 2024 serial and term bonds were issued for the purpose of financing the Saxon Hill Sports Complex.



## 12. LONG-TERM DEBT (Continued)

Total interest expense incurred on long-term debt was \$344,016 and \$363,218 for the years ended June 30, 2024 and 2023, respectively.

The following is a schedule of required principal payments of the aforementioned debt for the years ending June 30:

|            |                      |
|------------|----------------------|
| 2025       | \$ 947,772           |
| 2026       | 976,249              |
| 2027       | 1,008,539            |
| 2028       | 894,418              |
| 2029       | 642,744              |
| Thereafter | <u>24,862,848</u>    |
|            | <u>\$ 29,332,570</u> |

## 13. LINE OF CREDIT

The University has a \$3,000,000 line of credit with a financial institution. The line of credit has open ended maturity with an annual review and renewal each year. Outstanding balances are unsecured with interest payable monthly based on the Secured Overnight Financing Rate (SOFR) plus a spread of 2.25% per annum, as defined in the line of credit agreement. The University had an outstanding balance of \$3,000,000 on the line as of June 30, 2024. The University had no outstanding balance on the line as of June 30, 2023.

## 14. CONTRIBUTIONS

Contributions scheduled to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. No allowance for uncollectible contributions receivable is provided, based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

Contributions receivable are expected to be received as follows for the years ending June 30:

|  |                     |
|--|---------------------|
| 2025                                       | \$ 3,106,896        |
| 2026                                       | 2,080,071           |
| 2027                                       | 979,075             |
| 2028                                       | 715,000             |
| Thereafter                                 | <u>665,000</u>      |
|  | 7,546,042           |
| Less: Unamortized discount (0.29% - 4.33%) | <u>(663,000)</u>    |
|  | <u>\$ 6,883,042</u> |

Total costs incurred for fundraising activities are recorded as expense when incurred and totaled \$2,110,000 and \$2,138,000 for the years ended June 30, 2024 and 2023, respectively.

## **15. CHARITABLE GIFT ANNUITIES**

The University administers several charitable gift annuities. The gift annuities provide for distributions to the donors for the remainder of their lives. Upon the death of the donors, the remaining assets are available for the University's use, subject to donor restrictions, if any. At June 30, 2024 and 2023, the University's obligation related to these annuities was \$1,690,607 and \$945,002 respectively. These obligations were calculated using discount rates ranging from 1.40% to 6.63%. Distributions under these annuity arrangements were \$24,958 and \$27,112 for the years ended June 30, 2024 and 2023, respectively.

## **16. BENEFIT PLANS**

### **Pension Plan**

The University makes annual contributions to its defined contribution retirement plan which are immediately vested for the benefit of the participants. For employees covered under the New York State pension plan, the University makes contributions to the State Retirement System which are reimbursed by the State.

Total retirement plan expense for the University for the years ended June 30, 2024 and 2023, was \$2,243,992 and \$1,983,648, respectively. Retirement plan expense for the College of Ceramics was \$578,896 and \$550,743 for the years ended June 30, 2024 and 2023, respectively.

### **Postretirement Benefits Plan**

The University offers postretirement medical and life insurance benefits to its retirees and their spouses through a medical and life insurance plan. The expected costs of these benefits are recognized when they are earned. Current and prior year costs are allocated among the expenses of general operations for the respective years. Participation in the medical plan was frozen as of July 1, 1998. In 2013, the medical and life insurance plan was amended, and now requires retirees to pay a portion of the premium.

### **Measurement Date**

The University uses a July 1 measurement date for its plans.

### **Funded Status**

The University accounts for its postretirement benefit plans in accordance with ASC Section 715, *Employers Accounting for Postretirement Benefits Other Than Pensions*. ASC Section 715 requires recognition of the funded status of the University's postretirement plan in the balance sheet.

## 16. BENEFIT PLANS (Continued)

### Funded Status (Continued)

A summary of the postretirement benefit plan's funded status and amounts recognized in the University's statements for the years ended June 30 is as follows:

|   | <u>2024</u>                   | <u>2023</u>                   |
|---|-------------------------------|-------------------------------|
| Change in benefit obligation:                     |                               |                               |
| Benefit obligation at beginning of year           | \$ 14,776,324                 | \$ 17,075,945                 |
| Service cost                                      | 20,526                        | 40,202                        |
| Interest cost                                     | 704,658                       | 714,123                       |
| Participant contributions                         | 299,512                       | 286,302                       |
| Actuarial gain                                    | (1,029,129)                   | (2,426,024)                   |
| Benefits paid                                     | (958,032)                     | (969,018)                     |
| Medicare part D prescription drug federal subsidy | <u>57,958</u>                 | <u>54,794</u>                 |
| Benefit obligation, end of year                   | <u>13,871,817</u>             | <u>14,776,324</u>             |
| Change in plan assets:                            |                               |                               |
| Fair value of assets, beginning of year           | -                             | -                             |
| Employer contributions                            | 600,562                       | 627,922                       |
| Participant contributions                         | 299,512                       | 286,302                       |
| Medicare part D prescription drug federal subsidy | 57,958                        | 54,794                        |
| Benefits paid                                     | <u>(958,032)</u>              | <u>(969,018)</u>              |
| Fair value of assets, end of year                 | <u>-</u>                      | <u>-</u>                      |
| Funded status                                     | <u><u>\$ (13,871,817)</u></u> | <u><u>\$ (14,776,324)</u></u> |

The actuarial gain in 2024 is primarily attributable to a change in the discount rate from 5.20% to 5.44%.

### Financial Statement Recognition

The following amounts were recognized in the balance sheet as of June 30:

|                                   | <u>2024</u>          | <u>2023</u>          |
|-----------------------------------|----------------------|----------------------|
| Postretirement benefit obligation | <u>\$ 13,871,817</u> | <u>\$ 14,776,324</u> |

Amounts recognized in the statement of activities and change in net assets for the years ended June 30 consisted of the following:

|   | <u>2024</u>         | <u>2023</u>         |
|---|---------------------|---------------------|
| Net periodic benefit cost   | <u>\$ (357,138)</u> | <u>\$ (790,653)</u> |
| Postretirement benefit related changes other than net periodic benefit cost | <u>\$ 661,083</u>   | <u>\$ 2,462,352</u> |

## 16. BENEFIT PLANS (Continued)

### Financial Statement Recognition (Continued)

The components of net periodic benefit costs were as follows for the years ended June 30:

|   | <u>2024</u>       | <u>2023</u>       |
|---|-------------------|-------------------|
| Service costs                                   | \$ 20,526         | \$ 40,202         |
| Other components:                               |                   |                   |
| Interest  | 704,658           | 714,123           |
| Prior service cost                              | 391,420           | 641,671           |
| Amortization of net gain                        | <u>(759,466)</u>  | <u>(605,343)</u>  |
| Net periodic benefit cost                       | <u>\$ 357,138</u> | <u>\$ 790,653</u> |
| Net periodic benefit cost, net of service costs | <u>\$ 336,612</u> | <u>\$ 750,451</u> |

Net periodic benefit cost, net of service costs is reported in non-operating activities in the accompanying statements of activities and change in net assets. The service costs component of net periodic benefit cost is allocated to the appropriate functional categories and reported in total operating expenses in the accompanying statements of activities and change in net assets.

As of June 30, 2024, the following items included in net assets had not yet been recognized as components of benefits expense:

|                                       | <u>Prior Service<br/>Cost</u> | <u>Net Gain</u>       |
|---------------------------------------|-------------------------------|-----------------------|
| Unrecognized amounts at June 30, 2024 | <u>\$ -</u>                   | <u>(\$ 8,920,676)</u> |

### Assumptions

A summary of the weighted average assumptions used to determine the benefit obligations at June 30 was as follows:

|                                | <u>2024</u> | <u>2023</u> |
|--------------------------------|-------------|-------------|
| Discount rate                  | 5.44%       | 5.20%       |
| Rate of compensation increase  | N/A         | N/A         |
| Expected return on plan assets | N/A         | N/A         |

As of June 30, 2024, the mortality assumptions were based on the sex-distinct PriH-2012 Mortality Tables for employees, healthy retirees, and contingent survivors, adjusted for mortality improvements with Scale MP-2022 mortality improvement scale on a fully generational basis.

As of June 30, 2023, the mortality assumptions were based on the sex-distinct PriH-2012 Mortality Tables for employees, healthy retirees, and contingent survivors, adjusted for mortality improvements with Scale MP-2022 mortality improvement scale on a fully generational basis.

For measurement purposes, a 7.75% annual rate of increase in the under 65 age group and a 4.60% increase in the 65 and over age group in the per capita cost of covered health care benefits was assumed at June 30, 2024. A 7.75% annual rate of increase was assumed for prescription drug costs for the year ended June 30, 2024. The rates are assumed to gradually decrease to 4.37% by 2075 and remain at that level, thereafter.

## 17. FUNCTIONAL EXPENSES

The University's expenses were as follows on both a natural and functional basis for the year ended June 30, 2024:

|                                   | Salaries and<br>Benefits | Supplies and<br>Services | Occupancy           | Depreciation<br>and<br>Accretion | Interest          | Total               |
|-----------------------------------|--------------------------|--------------------------|---------------------|----------------------------------|-------------------|---------------------|
| Instruction and<br>public service | \$19,895,161             | \$ 2,469,011             | \$ 4,932,324        | \$ 3,382,202                     | \$ 104,993        | \$30,783,691        |
| Institutional support             | 10,470,495               | 5,540,444                | 891,936             | 414,238                          | 24,010            | 17,341,123          |
| Student services                  | 6,759,373                | 3,951,833                | 1,814,622           | 997,586                          | 44,907            | 13,568,321          |
| Auxiliary enterprises             | 1,565,423                | 6,363,554                | 20,563              | 2,291,991                        | 143,682           | 10,385,213          |
| Academic support                  | 4,230,501                | 3,318,818                | 1,312,807           | 959,980                          | 26,424            | 9,848,530           |
| Research                          | <u>2,861,967</u>         | <u>2,790,360</u>         | <u>148,124</u>      | <u>225,465</u>                   | <u>-</u>          | <u>6,025,916</u>    |
|                                   | <u>\$45,782,920</u>      | <u>\$24,434,020</u>      | <u>\$ 9,120,376</u> | <u>\$ 8,271,462</u>              | <u>\$ 344,016</u> | <u>\$87,952,794</u> |

The University's expenses were as follows on both a natural and functional basis for the year ended June 30, 2023:

|                                   | Salaries and<br>Benefits | Supplies and<br>Services | Occupancy           | Depreciation<br>and<br>Accretion | Interest          | Total               |
|-----------------------------------|--------------------------|--------------------------|---------------------|----------------------------------|-------------------|---------------------|
| Instruction and<br>public service | \$18,135,162             | \$ 2,556,667             | \$ 4,322,945        | \$ 3,493,351                     | \$ 110,854        | \$28,618,979        |
| Institutional support             | 7,702,528                | 5,162,019                | 747,840             | 436,769                          | 25,350            | 14,074,506          |
| Student services                  | 5,612,488                | 4,078,386                | 1,548,054           | 1,041,517                        | 47,413            | 12,327,858          |
| Auxiliary enterprises             | 1,532,207                | 5,287,048                | 20,976              | 2,425,323                        | 151,702           | 9,417,256           |
| Academic support                  | 4,057,743                | 2,721,059                | 1,160,876           | 988,828                          | 27,899            | 8,956,405           |
| Research                          | <u>2,277,910</u>         | <u>2,033,072</u>         | <u>151,101</u>      | <u>227,276</u>                   | <u>-</u>          | <u>4,689,359</u>    |
|                                   | <u>\$39,318,038</u>      | <u>\$21,838,251</u>      | <u>\$ 7,951,792</u> | <u>\$ 8,613,064</u>              | <u>\$ 363,218</u> | <u>\$78,084,363</u> |

Certain costs have been allocated among programs and supporting services. The costs of employee benefits, operation and maintenance of plant, and interest expense have been allocated across all functional expense categories to reflect the full cost of those activities. Costs are allocated using the following methodologies:

- Employee benefits are allocated based on the salary expense that has been directly charged.
- Expenses for operations and maintenance of plant are allocated based on square footage.
- Interest expense on long-term debt is allocated based on square footage.

## 18. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 29, 2024, which is the date the financial statements were available to be issued.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

October 29, 2024

To the Board of Trustees of  
Alfred University:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Alfred University (the University), which comprise the balance sheet as of June 30, 2024, and the related statements of activities and change in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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(Continued)

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

(Continued)

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.